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Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-04 USIA-15 PRS-01 AGR-20 DRC-01 /173 W
---------- 091440
R 261500Z MAR 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 0486
INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 4118

E.O. 11652: GDS
TAGS: PFOR, IN, US
SUBJ: THE INDIAN ECONOMIC CRISIS BEGINS TO TAKE SHAPE

1. THE FINANCE SECRETARY ASKED ME IN THIS MORNING TO SAY THAT HE HAD HEARD FROM AMBASSADOR KAUL, AS DOUBTLESS I HAD HEARD FROM SECRETARY KISSINGER, THAT AT THEIR LUNCHEON ON MARCH 19 THE AMBASSADOR HAD RAISED THE MATTER OF THE RESUMPTION OF AID AND THE SECRETARY HAD SAID HE SAW NO REASON WHY THIS SHOULD NOT GO FORWARD DIRECTLY NOW. WERE WE THEN READY TO COMMENCE THESE NEGOTIATIONS IN ACCORDANCE WITH OUR AIDE MEMOIRE OF JULY 19, 1973.

2. I REPLIED THAT THERE ARE ALWAYS DIFFICULTIES IN SUCH MATTERS AND THAT I WAS RETURNING TO THE UNITED STATES IN THE HOPE OF RESOLVING THEM. I SAID THAT WE HAD ALL HAD A BAD BREAK ON TIMING, THAT WE HAD NO MORE THAN CONCLUDED THE RUPEE AGREEMENT WHEN OF A SUDDEN THERE WAS A SPATE OF ATTACKS ON THE AMBASSADOR AND BY EXTENSION THE SECRETARY AND THE PRESIDENT. I WAS VILLIFIED IN THE NEHRU FAMILY PAPER FOR A MILD SPEECH TO THE INDIAN COUNCIL ON WORLD AFFAIRS
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CAREFULLY ECHOING A SPEECH GIVEN A FEW DAYS EARLIER BY AMBAS-

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SADOR KAUL. IN PARLIAMENT THE COMMUNISTS DEMANDED THAT I
BE DECLARED PERSONA NON GRATA FOR DARING TO STATE THE
AMERICAN CASE FOR EXPANDING OUR TINY FACILITIES ON DIEGO
GARCIA AND THE GOVERNMENT HAD NOT WHOLLY DISAGREED. I SAID
A FRIEND IN WASHINGTON HAD WRITTEN TO SUGGEST THAT THE
MINUTE THE RUPEE CHECK CLEARED WE HAD BECOME FAIR GAME AGAIN.

3. WHAT THE ELSE WAS I TO SAY?

4. THIS MORNING'S PRESS REPORTS AN EXTRAODINARY JOINT
MEETING OF THE CABINET ECONOMIC AND POLITICAL COMMITTEES TO
SETTLE ON A COURSE OF ACTION IN THE AFTERMATH OF THE OIL
PRICE INCREASES AND SUCH. I TOLD KAUL WHAT WE WERE BETTING
THEY HAD DECIDED. HE IS FAIRLY OPEN ABOUT THESE THINGS
ANYWAY, AND AGREED WE WERE PRETTY CLOSE. SPECIFICALLY, ON
HIS RECOMMENDATION, THEY HAVE ALREADY BROUGHT THE FERTILIZER
FOR THE COMING KHARIF (SUMMER CROP) AND THAT WAS THAT.
ON CRUDE OIL HE HAD RECOMMENDED A RETURN TO THE CONSUMPTION
LEVELS OF 1972-73. MUCH AGONY IN THE MEETING, BUT HE HAD
ARGUED THAT THE WHOLE ECONOMY COULD NOT BE STOPPED SIMPLY
IN ORDER TO IMPORT OIL, I.E., THAT OTHER IMPORTS WERE
ESSENTIAL ALSO. ON FOOD THEY WILL IMPORT TWO MILLION TONS
OF GRAIN, MOSTLY THEY EXPECT FROM CANADA AND THE UNITED
STATES.

5. ON WHEAT PRICES HE SAID THE CANADIANS EXPECT THEM TO
GO STILL HIGHER. I SAID THAT A YEAR AGO I WAS SURE THIS WAS
THE CASE, BUT WAS NOT SURE NOW. I SAID I WOULD TRY TO SEE
SECRETARY BUTZ ON MY RETURN HOME, AS HE WAS ONE OF THE FEW
AGRICULTURAL ECONOMISTS IN THE WORLD WHO HAD EARNED THE RIGHT
TO BE LISTENED TO IN SUCH MATTERS.

6. IN FEBRUARY, TESTIFYING BEFORE THE SUBCOMMITTEE ON THE
NEAR EAST AND SOUTH ASIA OF THE HOUSE COMMITTEE ON FOREIGN
AFFAIRS I SUGGESTED THAT IF THE AMOUNT OF FERTILIZER USED
IN THE COMING KHARIF CROP WAS DOWN 25 PERCENT IT WOULD
MEAN FAMINE IN PARTS OF INDIA. I DON'T KNOW WHAT THE
REDUCTION WILL BE, BUT I SHOULD THINK IT MIGHT BE SOMEWHAT
LESS THAN THAT. ON THE OTHER HAND IT APPEARS A QUARTER
DROP IS ABOUT RIGHT FOR THE TWO CROPS THAT WILL FOLLOW.
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